April 1987

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Why C-Stores Are Becoming More Au

NPN Revisits Tough Detroit Market

How a Small Oil Heat Firm Grew

NPN

National Petroleum News

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4/13/87

Armed Holdups: Are Your C-Stores Prime Targets?

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NATIONAL PETROLEUM NEWS

APRIL 1987 VOL. 79 NO. 4

16 Regional News

16 **West**
WPMA convention: Jobber concerns become global
17 **Midwest**
Fuel taxes, Stage II keep Missouri jobbers on alert
19 **East**
Divorcement bill nears decision stage in Georgia
22 **South**
Louisiana subsidy threatened as majors drop ethanol

27 General News

27 Only high-priced crude can save U.S. oil independence
27 EPA says Coastal broke lead bank rules
27 DOE, Patton Oil reach settlement
28 PMAA President predicts anti-business legislation
29 Petroleum market expected to be stable
30 Battle brews over sale of Naval Petroleum Reserves
30 FTC plans crackdown on C-Store advertising
30 EPA to unveil vapor recovery plan
32 Powerine reopens refinery after three years
32 Marketers buy insurance company
36 Congress mulls raising speed limit
36 Trade groups oppose mandatory maternity leave
36 EFTA creates communications council

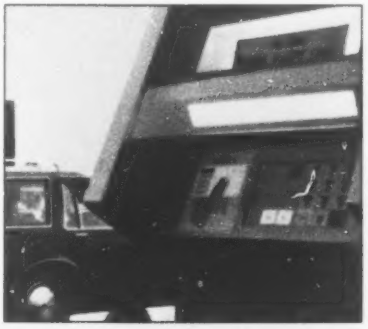
38 Features

38 **Cover Report**
C-Store security: How not to be a robbery statistic
44 **C-Store Operations & Equipment**
Automation to boom at C-Stores
48 **Market Profile**
Independents fight to survive in Detroit
54 **Diversification**
Miller Oil: From home heating to diversified jobber
67 **Legal—Sam Borenkind**
Consolidated Edison fights oil storage regulations
68 **Tax—Irving Blackman**
Don't get burned on PHC taxes
70 **Financial Management**
How to choose the right bank
76 **C-Store Buyer's Guide**
- Products & Services
- Suppliers

Departments

72 About Oil People
11 Ahead of the News
73 AOP Notes
57 Briefs
13 Catching Up
101 Classified
9 Coming Meetings
5 Looking Things Over
62 New Literature
58 Product Showcase
14 Trends/Marketplace

C-Stores are prime robbery targets for many reasons, ranging from late hours to cash on hand. Proper security procedures, however, can sharply reduce the vulnerability of your stores. **Page 38**
Cover photo by Jack Grossman



C-Store operators are ready to upgrade and expand their automated capabilities, according to a recent study. Still, many marketers question the cost-benefit relationship of automation. **Page 44**

The rough and tumble Detroit market tests the determination and resourcefulness of marketers. This report tells you what's happening in this predatory market and how marketers survive. **Page 48**

Report Lists Top Crude, Oil Products Importers

Chevron Corp., San Francisco, was the nation's top importer of crude oil and products last year. Northville Industries, Melville, N.Y., was the number one gasoline importer, and Amerada Hess Corp., New York City, the number one distillate and residual importer.

These are some of the highlights of a special report in the December issue of Petroleum Supply Monthly, published in late February by Energy Information Administration. The report also shows that in 1986 the top 10 petroleum importers averaged 3-million b/d in crude and product imports, almost half of the U.S. total, and that the volumes of oil imported by several of the companies increased "significantly" last year, especially Chevron and Texaco, which went up 26% and 33% respectively. It further indicates that Amerada Hess was the largest importer on the East Coast and Koch Industries, Wichita, Kan., the biggest in the Midwest. DuPont (Conoco) was the largest importer in the Rocky Mountain area and Chevron was the largest on the Gulf Coast and the West Coast. Here are the statistics for the top 10 importers, all in thousands of barrels of crude or product per day:

Company	Headquarters	Volume	% of U.S. Total
	CRUDE OIL AND PRODUCT		
Chevron Corp.	San Francisco	519	8.7%
Texaco Inc.	White Plains, N.Y.	456	7.6
Amerada Hess Corp.	New York	274	4.6
Shell Oil Co.	Houston, Tex.	257	4.3
Sun Company	Philadelphia, Pa.	243	4.1
Coastal Corp.	Houston, Tex.	239	4.0
Amoco Corp.	Chicago	231	3.9
Exxon	New York	227	3.8
Koch Industries	Wichita, Kan.	214	3.6
U.S. Steel Corp.*	Pittsburgh, Pa.	208	3.5
Total Top 10		2,868	48.1
Total U.S.		5,968	
*Marathon Petroleum Co.			
	CRUDE OIL ONLY		
Chevron Corp.	San Francisco	500	12.2
Texaco, Inc.	White Plains, N.Y.	416	10.1
Shell Oil Co.	Houston, Tex.	242	5.9
Amoco Corp.	Chicago	219	5.3
U.S. Steel Corp.*	Pittsburgh, Pa.	197	4.8
Exxon Corp.	New York	191	4.6
Sun Company	Philadelphia, Pa.	187	4.5
Koch Industries	Wichita, Kan.	171	4.2
Standard Oil Co.	Cleveland, Ohio	165	4.0
Mobil Oil Corp.	New York	163	4.0
Total top 10		2,451	59.6
Total U.S.		4,111	
* Marathon Petroleum Co.			
	GASOLINE ONLY		
Northville Industries	Melville, N.Y.	33	11.1
Amerada Hess Corp.	New York	29	9.8
Texaco, Inc.	White Plains, N.Y.	18	6.1
Vitol S.A.	Coral Gables, Fla.	17	5.7
Global Petroleum Corp.	Waltham, Mass.	15	5.1
Coastal Corp.	Houston, Tex.	13	4.4
Langham-Hill Petroleum	Charlottesville, Va.	12	4.1
Mobil Oil Corp.	New York	12	4.1
Oxbow Resources	Houston, Tex.	11	3.7
Pacific Resources	Honolulu, Hawaii	11	3.7
Total top 10		171	57.8
Total U.S.		296	
	DISTILLATE FUEL OIL		
Amerada Hess Corp.	New York	40	17.0
Global Petroleum Corp.	Waltham, Mass.	33	14.0
Coastal Corp.	Houston, Tex.	15	6.4
Charter Oil Co.	Jacksonville, Fla.	14	6.0
Northville Industries	Melville, N.Y.	14	6.0
Astroline Pacific	Long Beach, Calif.	10	4.3
Wyatt, Inc.	New Haven, Conn.	9	3.8
Metallgesellschaft Corp.	New York	8	3.4
Vitol S.A.	Coral Gables, Fla.	8	3.4
Pacific Resources	Honolulu, Hawaii	7	3.0
Total top 10		158	67.2
Total U.S.		235	
	RESIDUAL FUEL OIL		
Amerada Hess Corp.	New York	127	19.5
Coastal Corp.	Houston, Tex.	105	16.2
BP North America Petro.	Cleveland, Ohio	41	6.3
Charter Oil Co.	Jacksonville, Fla.	40	6.2
Scallop Petroleum Co.	New York	29	4.5
Sun Oil Inc.	Philadelphia, Pa.	29	4.5
Clarendon Marketing	Stamford, Conn.	22	3.4
Clark Oil Trading Co.	St. Louis, Mo.	22	3.4
Exxon Corp.	New York	18	2.8
Carey Energy Corp.	New York	16	2.5
Total top 10		449	69.1
Total U.S.		650	

Mobil Expands Retail Debit-Card Network

The "Star System," San Diego, a banking network with 6.8 million members, is joining Mobil's retail debit-card network of 2,400 stations in 12 states across the nation. When the Star System goes completely on line this summer, Mobil's point-of-sale debit-card network will be available to more than 32-million customers in New York, Connecticut, Pennsylvania, New Jersey, Virginia, Maryland, Florida, Arizona, California, Oregon and Washington.

In Mobil's system, the terminal at the station is manned by an attendant who passes the customer's debit card through a reader, after which the customer enters his identification number on a keypad. Because the purchase is immediately debited from a customer's bank account, he is entitled to a cash discount, usually about 4¢ gal.

NEFI Acts to Assist Dealer Media Relations

The New England Fuel Institute is on the verge of establishing a regional public relations program to help oil heat dealers respond to media questions. The move results from an internal study by the Institute to determine new courses of action as well as reexamine and redefine those already in operation.

The program is being put together by New England association executives and Christopher Thomas Associates, Long Island, N.Y., an advertising agency which has done work for the Metropolitan Energy Council. The work it does for NEFI, however, will be strictly public relations and involve no advertising.

• TRENDS

Refiners Help Jobbers Upgrade Their Stations

Jobber incentive programs to enhance the image of gasoline stations are spreading fast. A few years ago there were only a a few of these programs, but the idea caught on in 1986 and now most major and independent branded suppliers with substantial jobber business offer incentives. More will probably follow suit.

Although details of individual programs vary widely, the essential fact is that suppliers are spending money to help distributors improve their stations. Expenditures for a supplier can amount to several million dollars a year, and in the aggregate, they are spending many tens of millions of dollars. As a group, jobbers are spending as much or more.

The programs are a boon to jobbers and indicate supplier confidence in jobber marketing. In a period when oil companies have withdrawn from large geographical areas, this support also tells jobbers their suppliers probably plan to stay.

The 14 companies with programs of some kind are: American Petrofina, Amoco, Arco, Atlantic, Conoco, Diamond Shamrock, Exxon, Mobil, Phillips, Shell, Sohio, Sun, Total, and Unocal.

Companies saying they do not have such programs are: Ashland, Champlin, Chevron, Crown Central, Getty, Kerr-McGee, Marathon, Tenneco, and Texaco.

While the basic objective of these programs is to improve station appearance and brand identity, companies go about it differently.

When Arco embarked on its program in 1983, distributors were required to meet image standards. Arco matched distributor expenditures according to certain rules. The program was completed in eight months, with Arco spending several million dollars.

Exxon's program, introduced in 1985, is also mandatory, but requires that the participating station have relatively high volume. A station selling at least 500,000 gal. a year is eligible for up to $3,000 on appearance items.

Other program versions pursue different objectives, such as encouraging gasoline sales increases and influencing contract liftings of gasoline. Most programs are optional, providing gallonage rebates that may be used for prescribed purposes.

Amoco's original program gave a 0.5¢ gal. rebate that could be spent on certain station improvements, retroactive to 1983. On new or razed and rebuilt stations conforming to Amoco's new national image program, the company will give 2¢ gal. on approved volume starting in April.

Mobil gives 0.25¢ gal. on the previous year's volume. Money may be spent on appearance items or on snack shops, marts and express-lubes.

Phillips, which markets only through jobbers, gives higher rebates to larger jobbers. Jobbers selling 3-million gal. or more a year receive 0.2¢ gal. on gasoline, 0.1¢ on diesel. Jobbers selling 1.8 to 3-million gal. a year, receive 0.1¢ gal. on gasoline and 0.05¢ gal. on diesel.

Some companies favor certain kinds of expenditures by varying the percentages they will cover. For example, Phillips' rebates may be spent on the entire cost of canopies and fascia, 75% on driveways and POS terminals, restrooms, and so on, 50% on advertising, and 25% on gasoline promotions.

Favoring new construction, Phillips in its 1987 program gives 1.5¢ gal. rebate for new or razed and rebuilt stations. Unocal rewards consistent purchasing, giving 0.5¢ gal. rebate on 100% of contract volume.

Conoco gives 0.2¢ gal. rebate on 85% of contract volume, 0.4¢ gal. on 100%. However, it assesses a 5¢ gal. penalty on sales over 110%. The company says the penalty is to help distribution planning. Some jobbers think it is to discourage brokering.

Jobbers seem to like the programs. They're putting up a lot of their own money. The result is stronger jobbers with better prospects. *Mark Emond*

• MARKETPLACE AT A GLANCE

AVERAGE GASOLINE PRICES IN THE U.S. (per gal.)

JANUARY	Gasoline (All types)	Leaded Regular	Unleaded Regular	Unleaded Premium
U.S. City Avg.	$ .868	$ .806	$ .862	$1.007
Regions:				
Northeast	.876	.803	.853	.957
North Central	.883	.832	.888	1.022
South	.877	.808	.868	1.015
West	.838	.781	.836	.996

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

STOCKS (Add 000 bbl.)

	2/27/87	2/28/86
Gasoline (total)	252,918	244,592
Gasoline (Unleaded)*	139,789	125,086
Jet Kerosine	41,310	36,139
Distillates	127,101	114,581
Residual	38,036	41,859

**Included in gasoline total.*
Source: American Petroleum Institute.

New Forecast:

Only High-Priced Crude Can Save U.S. Oil Independence

A rapid increase in crude prices—to at least $30 bbl. in the short-term and $40 by the turn of the century—appears to be the only possible escape for what many already believe is inevitable—U.S. dependence on foreign oil for more than half of the nation's energy needs in the not-too-distant future.

This is a conclusion that can be drawn from the federal government's latest energy forecasts, long-term and short-term, both of which were issued in late February. But whether rising prices will quell or merely stave off the growing anxieties about another oil crisis in the making is something that only time will tell [*NPN*—Mar. '87, p40].

Here is how the government's latest long-term projection evaluates things:

- If crude prices rise to as much as $33 bbl. by 1995 and $42 bbl. by 2000, U.S. imports of foreign oil can be held to 41% in 1995 and 46% in 2000.
- On the other hand, if crude prices fail to get above $21 bbl. and $27 bbl. by 1995 and 2000 respectively, imports will exceed 55% by 1995 and 64% by the turn of the century.
- The more likely scenario, the government says, is that crude prices will range around $27 bbl. in 1995 and $33 in 2000, putting U.S. dependency at the 50% point in the short term and 56% at the century mark (See Long-Term table above).

These scenarios assume there will be no international upheavals that would dramatically change the supply/demand picture. They are based on the supposition that world oil prices will remain below the $20 bbl. level until 1992, at which time growing demand will have eaten up current excesses and crude prices will begin to rise steadily as a result.

(Continued on following page)

The Long-Term Outlook; Imports to Rise Steadily

(millions of b/d except price forecasts)

	2000	1995	1987	1986	1985
Base projections					
Domestic consumption	17.4	16.5	16.3	16.1	15.7
Liquid oil production*	7.7	8.3	10.4	10.9	11.3
Imports needed	9.8	8.2	5.8	5.3	4.3
% Dependency on imports	56%	50%	36%	33%	27%
*Crude oil and natural gas liquids, U.S. only					
Growth in import factors					
% increase in imports over preceding period	20%	41%	9%	23%	—
% increase in 2000 vs:	—	20%	69%	85%	128%
% increase in 1995 vs:	—	—	41%	55%	91%
Prices					
World oil price	$32.90	$26.60	$16.10	$14.20	$27.70
% Change vs. preceding period	—	24%	65%	13%	(49%)
% Change 2000 vs:	—	24%	104%	132%	19%
% Change 1995 vs:	—	—	65%	87%	(2%)

Source: Energy Information Administration, Short-Term Energy Forecast and Long-term Summary, January 1987, published late February.

EPA Claims Coastal Broke Lead Bank Rules

The U.S. EPA is demanding $1.16 million in civil penalties from Houston-based Coastal Corp., the rapidly expanding independent oil marketer.

The EPA charges that Coastal illegally made about $1.5 million when it violated EPA rules for leaded gasoline sales.

Coastal markets through 20 states under Derby, Joy and Belcher brands. EPA alleges Coastal broke EPA lead banking and lead usage rules, falsely claiming nearly 30 million in lead credits the company hadn't earned. Coastal profited at the rate of 5¢/gram, EPA calculates.

The fine stems from Coastal's imported Mexican gasoline blendstocks, which came in at 82-octane until Coastal added extra lead to bring it up to American standards for leaded regular.

Coastal "based its claim on lead rights on the blend stock, rather than the final product," an EPA official said. He stated Coastal falsely claimed to have gained lead credits according to the EPA standards limiting lead in gas to .1 gram/gal.

The EPA reportedly served notice to Coastal after seizing files from its Houston and Corpus Christi offices.

The EPA has fined Coastal in a "notice of violation," which gives the company a chance to settle the issue out of court. If they don't reach a negotiation, EPA will refer the case to the Justice Department, the EPA official said.

DOE, Patton Oil Reach Settlement

The Department of Energy has reached a final $1.1 million oil pricing settlement with Patton Oil Company, Englewood, Colorado, which produces crude oil in Kansas.

DOE claims Patton overcharged its first sales of crude oil it produced, during June 1979 and April 1980.

Patton, however, admits no wrongdoing as a condition of the settlement with the energy department.

DOE alleges Patton violated federal oil price regulations that are now obsolete. The Reagan administration ended all petroleum pricing and allocation rules in January 1981.

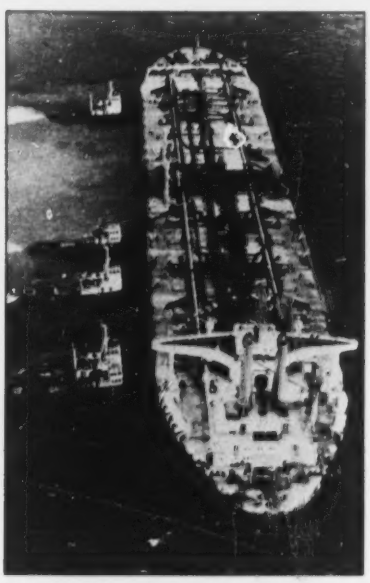
New Crude Forecast, Continued

The likelihood that crude oil prices will move upwards in the immediate future doesn't appear to be very likely, however. In early January, crude oil prices had risen to an almost surprising $18 bbl. level after last summer's disastrous fall to as low as $10 bbl. Within a month they were eroding again and by March 1 they were down to the $16 bbl. area again.

Led by Saudi Arabia, some OPEC members began cutting production as a price-support move and belaboring other members for exceeding their quotas. If the Saudi move is successful, crude prices can move upwards again by mid-summer, but so long as global excesses are big, any recovery unquestionably will be very slow.

The government's mid-range forecast for the long haul anticipates that domestic petroleum demand, estimated at 16.1-million b/d in 1986, will rise to 16.5-million b/d by 1995 and 17.4-million b/d by 2000. U.S. production of crude oil and natural gas liquids, estimated at 10.9-million b/d in 1986, will continue to decline, dropping to 8.3-million b/d by 1995 and 7.7-million b/d by 2000.

The government's Short-Term projection, which it issues quarterly, isn't much different than the last one, which came out just before the end of the year [*NPN*—Jan. '87, p38]. It now foresees a minor decrease in its previous demand projection but a slight improvement in product prices beginning in the second quarter. For example, it now sees gasoline commanding $1 gal. for all grades and services versus the earlier forecast of 97¢ gal. The third quarter is now rated at $1.04 gal., up 2¢ over the December projection and the fourth quarter, up 1¢ gal. Diesel fuel prices are expected to be up 3¢ to 6¢ gal. throughout the year while distillate heating oil should be around 90¢ gal. in the fourth quarter, 3¢ gal. more than had been projected several months ago. The short-term forecast sees distillate retailing at 90¢ gal. in the fourth quarter of this year, compared with 81¢ gal. in the winter season just coming to an end. NPN



If crude prices don't rise, this will be a familiar sight in U.S. harbors.

The Short-Term Outlook; Not Much Change Ahead:

By the Year

	Projection		History	
DEMAND (million b/d)	**1987**	**1986**	**1985**	**1984**
Motor Gasoline (total)	6.99	7.00	6.83	6.77
Leaded	1.79	2.15	2.43	2.78
Unleaded	5.20	4.85	4.41	3.99
% Unleaded vs. Leaded	74%	69%	65%	59%
Distillate Fuel Oil	2.93	2.90	2.87	2.84
Residual Fuel Oil	1.34	1.41	1.20	1.37
TOTAL U.S.*	16.28	16.13	15.73	15.73
*Includes all oils.				
PRICES (per gal.)*				
Motor Gasoline**	$ 0.99	$ 0.93	$ 1.20	$ 1.20
No. 2 Diesel	.95	.88	1.15	1.15
No. 2 Heating Oil				
Wholesale	.52	.46	.78	.83
Retail	.85	.78	1.05	1.09
Residual***	.39	.34	.61	.69

By the Quarters

	1987				1986			
DEMAND (million b/d)	**1Q**	**2Q**	**3Q**	**4Q**	**1Q**	**2Q**	**3Q**	**4Q**
Motor Gasoline (total)	6.67	7.16	7.13	6.99	6.64	7.09	7.27	7.27
Leaded	1.83	1.88	1.78	1.66	2.15	2.27	2.22	1.98
Unleaded	4.84	5.29	5.34	5.33	4.49	4.82	5.06	5.03
% Unleaded vs. Leaded	73%	74%	75%	76%	68%	68%	70%	69%
Distillate Fuel Oil	3.20	2.74	2.66	3.10	3.28	2.73	2.57	3.01
Residual Fuel Oil	1.48	1.30	1.23	1.33	1.42	1.34	1.43	1.43
TOTAL U.S.*	16.31	16.06	16.24	16.50	16.06	15.86	16.18	16.43
*Includes all oils.								
PRICES (per gal.)*								
Motor Gasoline**	$ 0.90	$ 1.00	$ 1.04	$ 1.03	$ 1.10	$ 0.93	$ 0.87	$ 0.83
No. 2 Diesel	.90	.95	.97	.99	1.04	.87	.80	.81
No. 2 Heating Oil								
Wholesale	.51	.50	.51	.54	.61	.64	.39	.42
Retail	.81	.83	.84	.90	.97	.77	.67	.70
Residual***	.37	.38	.39	.42	.47	.31	.27	.31

*All prices include taxes except No. 2 heating oil; **Average price for all grades and services; ***Average price for all grades of sulfur.
Source: Energy Information Administration, Short-Term Energy Forecast, January 1987, published late February.